# National Film Board of Canada

## 2012-2013

**Quarterly Financial Report for the quarter ended December 31, 2012**

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## 1. Introduction

The National Film Board of Canada (NFB) was created by an act of Parliament in 1939. A federal cultural agency within the Canadian Heritage portfolio, the NFB exists to produce and distribute original, innovative audiovisual works that add to our understanding of the issues facing Canadians and raise awareness of Canadian values and viewpoints across the country and around the world. The NFB serves Canadians by producing and making accessible, in all regions of the country and on all available platforms, rich and diverse cultural content that reflects Canada's rapidly shifting demographic profile–content that would otherwise not be produced. A brief description of the agency's activities for the current year can be found in *Part II of the Main Estimates*.

This quarterly report has been prepared by management as required by Section 65.1 of the *Financial Administration Act*, and in the form and manner prescribed by Treasury Board. This quarterly report should be read in conjunction with the Main Estimates, as well as with *Canada's Economic Action Plan 2012 (Budget 2012)*.

## 2. Basis of Presentation

This quarterly report has been prepared by management using expenditure accounting. The accompanying Statement of Authorities includes the agency's spending authorities granted by Parliament and those used by the agency consistent with the Main Estimates and Supplementary Estimates for the 2011-2012 fiscal year. This quarterly report has been prepared using a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through the Appropriation Act or through legislation in the form of statutory spending authority for specific purposes.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1, preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, 2012 after the tabling of the Main Estimates on February 28, 2012. As a result, the measures announced in Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-13, frozen allotments will be established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In future years, the changes to departmental authorities will be implemented

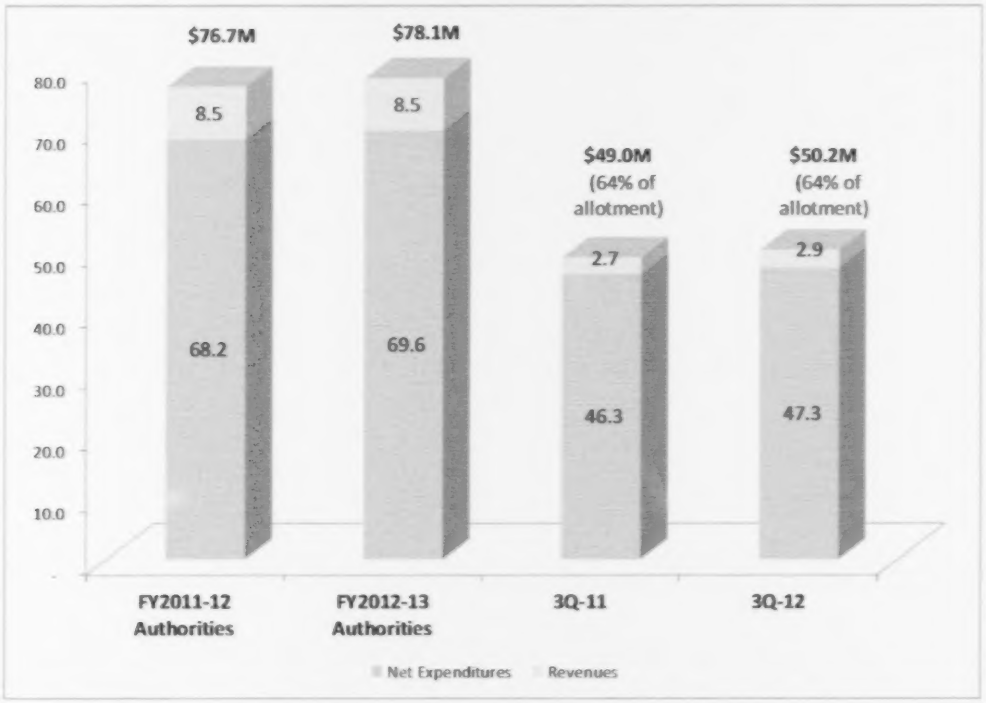
through the Annual Reference Level Update, as approved by Treasury Board, and reflected in the subsequent Main Estimates tabled in Parliament.

The NFB uses the full accrual method of accounting to prepare its annual financial statements in accordance with Treasury Board accounting principles, which are consistent with generally accepted Canadian accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

This quarterly report has not been subject to an external audit or review.

## 3. Highlights of Fiscal Quarter and Fiscal Year-to-Date (YTD) Results

This section highlights the principal factors that contributed to the variances in projected and real expenses and expected and earned revenues for the quarter ended December 31.




The preceding graph shows the total budgetary authorities granted to the NFB for fiscal 2012-2013, with projected expenses totalling $69.6 million. This amount exceeds last year's figure by

$1.4 million because of the payment of severance benefits, the carry forward from 2011-2012, and the frozen allotment associated with the deficit-reduction action plan.

Net expenses for the third quarter of 2012-2013 totalled $47.3 million, an increase of $1 million over the figure for the preceding year. This variance is attributable mainly to the following factors.

**Variance in revenues**

As indicated in Table 2, actual revenues for the third quarter increased by $144 000 because of an agreement signed with the Department of Canadian Heritage to develop an interactive mobile application about the War of 1812 based on the work *The Loxleys and the War of 1812*. A major theatrical sale of Sarah Polley's film *Stories We Tell* in the United States also contributed to this increase.

**Variance in expenditures**

Total gross expenditures in the third quarter of 2012-2013 were the same as in the third quarter of 2011-12: $17.0 million.

Salaries again showed an increase in connection with the payment of severance benefits to excluded and non-unionized employees following the elimination of the program. The decrease in information expenses is explained by the marketing of several promising projects in 2011-2012 and the launch of the on-demand video service on the NFB digital boutique. The increase in repair and upkeep expenses is associated with the fit-up of the education-workshop studios at headquarters and in Toronto. Acquisitions of machinery and equipment are down from 2011-2012, with the termination of lease-purchase contracts for equipment acquired as part of the NFB's digital transition.

Transfer-payment expenses have fallen because of the elimination of the "Festivals and Events" component of the Grants and Contributions Program. In the third quarter of 2012-2013, the NFB incurred significant expenses for copyright clearances, in particular to make use of the work *The Loxleys and the War of 1812*.

The other types of expenses by standard object followed historical trends.

## 4. Risks and Uncertainties

Digital technologies continue to revolutionize the audiovisual industry here in Canada and around the world. This revolution naturally provides varied business opportunities of which the NFB has already and intends to take advantage of by developing new digital viewing platforms, by producing interactive works, and by offering products and services for purchase and distribution online. In all markets, converting users to a digital economy will require the use of products and services to ensure revenue growth to the NFB. Digital technologies are already a

large presence in users' lives, but not yet large enough to ensure the new wave of growth needed to offset the erosion of traditional markets.

The following is an overview of the main risks that the NFB faces in 2012-2013.

**External Risks**

Consumer habits to a pay model for digital products and services is currently having a temporary impact on expected revenue growth. The educational market is also being affected by the implementation of Bill C-11, the *Copyright Modernization Act*. To offset the impacts of this legislation, the NFB has already adjusted its approach to developing its CAMPUS educational web site to present it as a rich, full-featured, bilingual, value-added education portal, and not simply a collection of films to be used in class. The NFB has worked closely with teachers to identify the tools and functionalities needed to make CAMPUS an indispensable service in the educational market.

## 5. Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs, make it easier for Canadians and business to deal with their government, and modernize and reduce the back office.

The NFB will achieve Budget 2012 savings of $6.7 million (10% of its budget) by fiscal year 2014-2015 through both reductions and restraint to streamline and focus operations while ensuring continued quality delivery to Canadians on its important mandate.

During the first year of implementation, the NFB will achieve savings of $110 000. Savings will climb to $3.3 million in 2013-2014, for permanent savings totalling $6.7 million by 2014-2015.

The main savings measures that the NFB is implementing are as follows.

- On September 1, 2012, closure of individual screening booths and screening rooms at the Toronto Mediatheque and Montreal CineRobotheque. Educational workshops will continue to be offered at headquarters in Montreal and in Toronto on the usual premises, where a public exhibition space will also be available.
- On April 1, 2012, elimination of the "Festivals and Events" component of the Grants and Contributions Program;
- A slight reduction–1% of the NFB's total budget–in the amounts allocated for the production of audiovisual works.
- Consolidation of administrative services in regional offices.
- Implementation of new work processes in all NFB divisions, particularly in linguistic services management, rights management, and general administration. The NFB will continue to rationalize its space utilization and expects to save additional amounts.

The NFB has received no additional funding to implement the above measures.

## 6. Significant Changes Related to Operations, Personnel and Programs

Other than the implementation of Budget 2012, no significant changes related to operations, personnel and programs and having an impact on financial reporting occurred during the quarter ended December 31, 2012.

Approved by:

Tom Perlmutter
Government Film Commissioner

Montreal, Canada

February 28, 2013

Luisa Frate
Director General, Finance,
Operations and Technology
(Chief Financial Officer)
Montreal, Canada

February 28, 2013

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**Table 1 : Statement of Authorities** ***(unaudited)***

| | Fiscal Year 2012-2013 | | | Fiscal Year 2011-2012 | | |
|---|---|---|---|---|---|---|
| | Total available for use for the year ending March 31, 2013* | Used during the quarter ended December 31, 2012 | Year to date used at the quarter-end | Total available for use for the year ending March 31, 2012 | Used during the quarter ended December 31, 2011 | Year to date used at the quarter-end |
| Vote 70 - Operating expenditures | 69,641,560 | 15,838,039 | 47,319,717 | 68,211,550 | 15,973,131 | 46,292,342 |
| **Total Budgetary authorities** | 69,641,560 | 15,838,039 | 47,319,717 | 68,211,550 | 15,973,131 | 46,292,342 |
| **Total authorities** | **69,641,560** | **15,838,039** | **47,319,717** | **68,211,550** | **15,973,131** | **46,292,342** |

**Includes only Authorities available for use and granted by Parliament at quarter-end*

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Table 2 : Departmental budgetary expenditures by Standard Object *(unaudited)*

| | Fiscal Year 2012-2013 | | | Fiscal Year 2011-2012 | | |
|---|---|---|---|---|---|---|
| | Planned expenditures for the year ending March 31, 2013 | Expended during the quarter ended December 31, 2012 | Year to date used at quarter-end | Planned expenditures for the year ending March 31, 2012 | Expended during the quarter ended December 31, 2011 | Year to date used at quarter-end |
| **Expenditures:** | | | | | | |
| Personnel | 42,433,865 | 9,899,351 | 30,311,547 | 42,764,056 | 9,685,209 | 29,060,290 |
| Transportation and communications | 3,447,753 | 919,615 | 2,263,255 | 3,259,182 | 879,390 | 2,086,801 |
| Information | 588,012 | 158,411 | 338,872 | 663,981 | 366,233 | 533,009 |
| Professional and special services | 14,666,182 | 2,926,341 | 7,561,378 | 14,075,951 | 2,949,345 | 7,320,176 |
| Rentals | 8,602,622 | 1,977,239 | 6,247,866 | 8,106,530 | 1,942,666 | 6,009,534 |
| Repair and maintenance | 2,332,633 | 224,525 | 1,030,471 | 2,177,901 | 125,406 | 884,718 |
| Utilities, materials and supplies | 1,212,693 | 221,311 | 621,303 | 1,207,677 | 269,182 | 661,094 |
| Acquisition of machinery and equipment | 3,663,332 | 310,497 | 1,167,260 | 3,116,709 | 420,294 | 1,474,774 |
| Transfer payments | 250,000 | 26,250 | 158,190 | 250,000 | 131,990 | 178,990 |
| Other subsidies and payments | 896,914 | 295,043 | 560,259 | 1,042,009 | 180,397 | 782,781 |
| **Total gross budgetary expenditures** | **78,094,006** | **16,958,583** | **50,260,401** | **76,663,996** | **16,950,112** | **48,992,167** |
| **Less Revenues netted against expenditures:** | | | | | | |
| Revenues credited to the vote | 8,452,446 | 1,120,544 | 2,940,684 | 8,452,446 | 976,981 | 2,699,825 |
| **Total Revenues netted against expenditures** | **8,452,446** | **1,120,544** | **2,940,684** | **8,452,446** | **976,981** | **2,699,825** |
| **Total net budgetary expenditures** | **69,641,560** | **15,838,039** | **47,319,717** | **68,211,550** | **15,973,131** | **46,292,342** |

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